

Nelson Block for Texas Banking: Preparing for Challenging Times

How to Recognize Signs of Potential Problem Credits and How to Deal with Them

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Winstead Finance & Banking Shareholder Nelson Block recently authored an article for *Texas Banking* magazine. An excerpt is below.

The signs of potentially challenging times in the economy have begun to appear: The bond yield curve briefly inverted during 2019 and, though recovering until the end of the year, was immediately followed by a new decline.

In addition, there is increased instability in the oil-producing Middle East, weakness in the manufacturing sector and, of special concern for Texas, a softening energy market, including plant closings and permanent layoffs in oil field services. Bankruptcies in the oil and gas sector have been on the uptick.

The financial oversight agencies have been active in response to these indicators. The Office of the Comptroller of the Currency's "Fiscal Year 2020 Bank Supervision Operating Plan" identifies, among other priorities, development of supervisory strategies for commercial and retail underwriting practices.

The FDIC's fall 2019 edition of "Supervisory Insights" highlighted its Interagency Guidelines Establishing Standards for Safety and Soundness regarding leveraged lending.

In response, regional and community banks preparing for a possible economic downturn should consider including the following steps in their plans.

[Read the full article.](#)